

Message Text

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FM SECSTATE WASHDC
TO AMCONSUL BOMBAY

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FOLLOWING REPEAT STATE 161942 ACTION NEW DELHI DATED 25 JUL 74

QUOTE

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E.O. 11652:N/A
TAGS: BDIS, IN
SUBJECT: CALTEX PROBLEMS IN INDIA

1. V.P. RYAN, DIRECTOR, SOUTH ASIA, CALTEX, CALLED ON
KUX AND MORLEY (NEA/INS) JULY 25 AND PRESENTED PAPER
DETAILING CALTEX WOES IN INDIA. COPIES CALTEX MEMORANDUM
POUCHED TO LANDE JULY 25.

2. IN BRIEF, COMBINATION HIGH COST OF MIDDLE EAST CRUDE,
GENERAL ECONOMIC SITUATION IN INDIA, AND INTERNAL INDIAN
PRICING POLICIES ON OIL HAS MADE CALTEX OPERATION IN INDIA
UNPROFITABLE. ACCORDING RYAN, CALTEX LOSES \$1.90 PER
BARREL IN PETROLEUM PRODUCTS SOLD IN INDIA. CALTEX HAS
BEEN FORCED BORROW \$20 MILLION IN INDIA IN 12 MONTH
PERIOD ENDING JUNE 30, 1974. RYAN SAID REPEATED
REPRESENTATIONS TO PETROLEUM MINISTRY (SECRETARY DAVE)
HAVE PRODUCED NO RESULTS. HE SAYS DAVE PROMISED RELIEF
BY MONSOON SESSION OF PARLIAMENT, BUT NONE FORTHCOMING
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SO FAR.

3. CALTEX BELIEVES SITUATION NOW CRITICAL. COMPANY WILL SHORTLY BE FORCED CUT BACK CRUDE INPUTS AND REFINERY RUNS, UNLESS GOI TAKES ACTION IMPROVE PROFITABILITY CALTEX OPERATIONS. IN ABSENCE OF HELP FROM GOI, RYAN SAID TWO

OPTIONS FOR CALTEX:

A) NEGOTIATION TRANSFER OWNERSHIP CALTEX ASSETS TO GOI ALONG LINES ESSO PRECEDENT.

B) TOTAL SHUT DOWN INDIA OPERATIONS. (RYAN RECOGNIZED THIS WOULD FORCE CONFRONTATION WITH GOI.)

4. DEPARTMENT OFFICERS TOLD RYAN WE WOULD ADVISE EMBASSY DELHI OF SITUATION. CALTEX NEW YORK WILL INSTRUCT THEIR CHIEF REPRESENTATIVE IN INDIA TOCONSULT WITH EMBASSY (LANDE) BEFORE TAKING ANY FURTHER ACTION VIS-A-VIS GOI. CALTEX SEEKS AND FEELS IT NEEDS EMBASSY ADVICE AND SUPPORT IN TRYING TO RESOLVE PROBLEM.

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